

## Message Text

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45

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 FRB-03 IO-10 AEC-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FEAE-00 FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05

OMB-01 PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01

TRSE-00 NEA-09 PA-01 PRS-01 USIA-06 XMB-02 OPIC-03

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P R 271455Z JAN 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 9206

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: GOVERNOR CARLI COMMENTS ON INTERNATIONAL MONETARY  
QUESTIONS

PASS TREASURY; FRB; SENATOR PERCY'S OFFICE

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1. FOLLOWING ARE COMMENTS MADE BY GOVERNOR GUIDO CARLI OF THE BANK OF ITALY AT AMBASSADOR VOLPE'S RESIDENCE ON JANUARY 25, 1975 AT A DINNER FOR SENATOR PERCY.

2. IF WE ASSUME THAT OIL CONSUMPTION CONTINUES AS PREDICTED BY INTERNATIONAL ECONOMIC ORGANIZATIONS AND OIL PRICE REMAINS THE SAME, THEN THIS YEAR THERE WILL BE A SURPLUS OF SOME \$60 BILLION THAT MUST BE HANDLED BY THE INTERNATIONAL ECONOMIC SYSTEM. THERE IS AN INTERNAL LOGIC OF HAVING THE OIL-EXPORTING COUNTRIES FINANCE THE OIL-IMPORTING COUNTRIES. THIS FIXES SHORT-TERM CREDITS INTO MEDIUM-TERM LOANS AND HELPS STABILIZE THE MARKET. BUT THE \$6 BILLION FUND SET UP BY THE INTERIM COMMITTEE OF THE IMF IS INADEQUATE, GIVEN THE SIZE OF THE PROBLEM. ONE CAN ONLY REACH THE CONCLUSION THAT THE PRICE OF OIL MUST COME DOWN.

3. IF THE PRICE OF OIL DOES NOT COME DOWN, THEN THE ENTIRE ADJUSTMENT PROCESS FALLS ON THE DOLLAR. FOR YEARS WE HAVE TRIED TO GET OFF A DOLLAR SYSTEM BUT HAVE FAILED. NOW WE ARE FACED WITH THE SEVERE INTERNATIONAL ECONOMIC CRISIS THAT WE ALL FEARED. THE DOLLAR IS CARRYING THE FULL LOAD AND THE SYSTEM IS DEPENDENT ON THE OIL-EXPORTING COUNTRIES. THE RESULT IS A TREMENDOUS EXPANSION IN THE EURODOLLAR MARKET, A MARKET WITH MINIMUM RULES AND GOVERNED BY NO STATE. THIS INCREASES THE VULNERABILITY OF THE MONETARY SYSTEM.

4. GERMANY IS NOW IN SURPLUS. FRANCE FEELS THAT BY THE END OF THIS YEAR IT WILL BE IN BALANCE. WHO THEN WILL BE CARRYING THE TREMENDOUS DEFICITS? WHICH COUNTRIES WILL FALL FIRST?

5. THE INDUSTRIAL NATIONS SOLIDARITY FUND SUGGESTED BY ARTHUR BURNS WAS A BRILLIANT IDEA. IT WILL OPERATE THROUGH THE OECD BUT IT IS A SAFETY NET, A LAST RESORT FOR THE FALLING. IT DOES MOVE TO SOLVE THE IMMEDIATE CAUSE OF THE CRISIS.

6. THE LAST FIVE DAYS THE EXCHANGE MARKET HAS BEEN VERY UNSTABLE. THE SWISS HAVE GONE TO HEROIC ENDS BUT THE LIMITED OFFICIAL USE

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SITUATION STILL IS NOT UNDER CONTROL. I CAN ONLY CONCLUDE THAT THE SIZE OF THE PROBLEM IS SO BIG THAT PUBLIC OPINION DOES NOT UNDERSTAND IT. WE ARE GOING TO BE CONFRONTED BY MAJOR DIFFICULTIES. THE PROBLEM STILL IS UNMANAGEABLE AND UNMANAGED. VOLPE

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**TAGS:** EFIN, IT, IMF, (CARLI, GUIDO)  
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